

**Alabama Trust Fund
Board of Trustees Meeting
November 25, 2014
State Capitol, N-202**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on November 25, 2014. The meeting was called to order at 10:15 AM by Chair Governor Bentley. The roll was called by Secretary Boozer and recorded as follows with a quorum present.

Present:

Governor Robert Bentley, Chair
Mr. Bill Newton, Vice Chair
Mr. Young Boozer, Secretary
Mr. Daniel Hughes
Mr. Guice Slawson, Jr

Absent:

Dr. Sandra Sims-deGraffenried
Mr. Sam Upchurch
Mr. Terry Bunn
Mr. Rich Bielen

The first decision item was review and approval of the minutes of August 21, 2014. Upon motion made by Mr. Boozer, and a second by Mr. Newton, the reading of the minutes was dispensed and the minutes were unanimously approved as presented.

Ms. West reviewed the Watch List. She recommended that CS McKee and Sterne Agee remain on the Watch List. Upon motion made by Mr. Newton, and a second by Mr. Boozer, the recommendations were unanimously approved.

The next decision items were changes to the Alabama Trust Fund's Investment Policy Statement. Ms. West's first recommendation was that the Interim Target Index be removed and Final Target Index be accepted since the real estate allocation of the fund had been fully funded in October. Ms. West second recommendation was to add *"Exchange Traded Funds (ETFs) are allowed to gain market exposure to market segments which are not open to the strategy for direct equity investment and to individual securities for which there are no available ADRs and for temporary cash equitization. The maximum allowable exposure to ETFs is 10% of the portfolio" and "144A securities in connection with a foreign public offering shall be limited to 10% of the market value of the portfolio"* to the Approved Securities under International Equity Guidelines.

Ms. West also recommended that the following be added to Investment Manager Exceptions to General Investment Manager Guidelines:

Invesco, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that: Sector constraints will be implemented using the MSCI ACWI ex-US Growth Index instead of the MSCI EAFE Index and where 2X the sector weight of the index (MSCI ACWI ex-US Growth Index) is still less than 20%, the portfolio is permitted to invest up to 20% in such sector.

Artisan Partners, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that: MSCI country classifications will be used to classify a company as U.S. or non-U.S. Exposure to U.S. securities of up to 10% of the market value of the portfolio at time of purchase is allowed. No more than the greater of (2 times the sector weight in the MSCI EAFE index and 40%) valued at market may be held in any one economic sector. The portfolio may not purchase securities in private placements other than securities privately placed under Rule 144A or another similar private placement exemption and equity-linked instruments described below.

The portfolio may invest up to 10% of the market value of the portfolio at time of purchase in listed over-the-counter un-leveraged, equity-linked instruments; provided, however, that the portfolio will not invest more than 5% of the market value of the portfolio at the time of purchase in such instruments issued by a single counterparty. The portfolio may acquire, receive, retain and exercise warrants, rights or similar instruments attached to portfolio securities. Investments in cash and cash equivalents up to 10% of the market value of the portfolio is allowed.

Vulcan Value Partners, the small cap value manager, will operate within the domestic equity guidelines delineated in this Investment Policy Statement except that: Investments in foreign ordinaries is allowed and investment in cash and cash equivalents up to 10% of the market value of the portfolio is allowed.

Upon motion made by Mr. Newton, and a second by Mr. Hughes, the recommendations were unanimously approved.

The next decision item was to ratify the Investment Committee decision to move forward with an investment in the UBS Trumbull Property Fund. Minutes of the Investment Committee meeting were included for the Board's review. Mr. Boozer made a motion to ratify the Investment Committee decision, with a second by Mr. Hughes, and it was unanimously approved.

The next decision items were changes to the CMT Fund's Investment Policy Statement. Ms. West's first recommendation was that the Interim Target Index be removed and Final Target Index be accepted since the real estate allocation of the fund had been fully funded in October. Ms. West second recommendation was to add *"Exchange Traded Funds (ETFs) are allowed to gain market exposure to market segments which are not open to the strategy for direct equity investment and to individual securities for which there are no available ADRs and for temporary cash equitization. The maximum allowable exposure to ETFs is 10% of the portfolio" and "144A securities in connection with a foreign public offering shall be limited to 10% of the market value of the portfolio"* to the Approved Securities under International Equity Guidelines.

Ms. West also recommended that the following be added to Investment Manager Exceptions to General Investment Manager Guidelines:

Invesco, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that: Sector constraints will be implemented using the MSCI ACWI ex-US Growth Index instead of the MSCI EAFE Index and where 2X the sector weight of the index (MSCI ACWI ex-US Growth Index) is still less than 20%, the portfolio is permitted to invest up to 20% in such sector.

Upon motion made by Mr. Newton, and a second by Mr. Slawson, the recommendations were unanimously approved.

There being no further business, the meeting was adjourned at approximately 10:54 am.

Bill Newton, Vice-Chair

Young Boozer, Secretary